

Message Text

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S E C R E T SECTION 01 OF 05 BONN 00818

E. O. 11652: GDS

TAGS: PARM, PFOR, MASS, XG, GW

SUBJECT: DEPARTMENTAL STUDY OF CONVENTIONAL ARMS
SUPPLY RESTRAINTS

REF: STATE 305504

BEGIN SUMMARY: THE EMBASSY BELIEVES THAT, ON BALANCE,
THE FRG WOULD REACT POSITIVELY TO A US INITIATIVE
AIMED AT RESTRAINING CONVENTIONAL ARMS TRANSFERS. WE
ARRIVE AT THIS CONCLUSION IN SPITE OF THE FACT THAT
THE FRG HAS NOT YET RESOLVED THE INTERNAL CONFLICT
ON THE ISSUE OF EXPANDING ARMS EXPORTS, WITH GOVERN-
MENT LEADERS REPORTEDLY FAVORING A LIBERALIZATION OF
THE HITHERTO RESTRICTIVE EXPORT POLICY BUT CURRENTLY
UNABLE TO IMPLEMENT A NEW POLICY BECAUSE OF DOMESTIC
POLITICAL CONSTRAINTS. SINCE CURRENT FRG POLICY
PRECLUDES ARMS EXPORTS TO "AREAS OF TENSION", WE
BELIEVE THAT A US INITIATIVE KEYED TO THE REGIONAL
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APPROACH WOULD PROBABLY BE ACCEPTABLE TO THE FRG,

SINCE IT WOULD CONFORM MOST CLOSELY TO CURRENT POLICY GUIDELINES. THE EMBASSY DOES NOT BELIEVE THE FRG WOULD REACT WITH ENTHUSIASM TO THE IDEA OF AN INTERNATIONAL CONFERENCE OF SUPPLIERS AND RECIPIENTS. RATHER, IT IS FELT THAT A MORE SELECTIVE APPROACH ON PARTICIPATION IN SUCH A CONFERENCE -- PERHAPS COMPARABLE TO THE STRUCTURE AND MODALITIES OF THE NUCLEAR SUPPLIERS CONFERENCE -- WOULD MEET WITH GREATER RECEPTIVITY IN THE FRG. END SUMMARY.

1. IN ACCORDANCE WITH REFTEL, THE EMBASSY SUBMITS ITS CONTRIBUTION TO THE DEPARTMENTAL STUDY OF CONVENTIONAL ARMS SUPPLY RESTRAINTS. THE INFORMATION SET FORTH BELOW IS KEYED TO THE DRAFT OUTLINE CONTAINED REFTEL.

I. INTRODUCTION -- HISTORICAL PERSPECTIVE

THE WORLD WAR II-SHATTERED GERMAN ARMAMENTS INDUSTRY BEGAN FUNCTIONING AGAIN IN THE LATE 1950'S. BURDENED BY ITS HISTORICAL LEGACY, THE FRG HAS FOLLOWED A CONSCIOUS POLICY OF NOT DEVELOPING A SIGNIFICANT NATIONAL ARMAMENTS INDUSTRY. IN 1961 THE COMBAT ARMS CONTROL LAW WAS PASSED WHICH ESTABLISHED GOVERNMENTAL CONTROL OVER WEAPONS EXPORTS. DURING THE 1960'S CDU-LED GOVERNMENTS MADE EXCEPTIONS TO THE LAW TO PERMIT ARMS EXPORTS TO COUNTRIES IN AFRICA AND SOUTH AMERICA. IN 1971 THE FRG LAID DOWN THREE POLITICAL PRINCIPLES CONCERNING THE EXPORT OF MILITARY ARMS AND EQUIPMENT IN ORDER TO PROVIDE BINDING GUIDELINES TO THE AUTHORITIES CHARGED WITH IMPLEMENTING THE LEGAL CONTROLS SET FORTH IN THE 1961 LAW AND THE FOREIGN ECONOMIC RELATIONS ACT. THE PRINCIPLES UNDERLYING THESE GUIDELINES MAY BE SUMMARIZED AS FOLLOWS:

A. MILITARY ARMS AND EQUIPMENT MAY, AS A GENERAL RULE, BE EXPORTED TO NATO COUNTRIES WITHOUT RESTRICTIONS.

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B. MILITARY ARMS MAY BE EXPORTED TO NON-NATO COUNTRIES ONLY WITH THE SPECIAL APPROVAL OF THE GOVERNMENT.

C. MILITARY ARMS MUST NOT BE EXPORTED TO AREAS OF TENSION. ALSO, THE EXPORT OF OTHER MILITARY EQUIPMENT MUST BE DISAPPROVED IF A DISTURBANCE OF THE PEACEFUL RELATIONS BETWEEN NATIONS OR A CONSIDERABLE

DISTURBANCE OF THE FOREIGN RELATIONS OF THE FRG IS TO
BE FEARED.

II. MAGNITUDE OF CURRENT TRANSFERS

THE FRG RANKS FIFTH AMONG WESTERN ARMS SUPP-
LIERS BEHIND THE US, FRANCE, UK AND ITALY. THE TOTAL
AMOUNT OF ARMS TRANSFERS IS RELATIVELY SMALL IN

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COMPARISON WITH THE THREE LEADING SUPPLIERS AND
ACCOUNTED FOR ONLY 0.3 PERCENT OF TOTAL FRG EXPORTS
IN 1975.

A. GENERAL DESCRIPTION -- IMPORTANCE OF ARMS INDUSTRY

THE EXPORT OF WEAPONS IS OF LITTLE IMPORTANCE TO GERMAN ARMS PRODUCING INDUSTRIES, WITH THE EXCEPTION OF AIRCRAFT, SHIPBUILDING AND TANK CHASSIS. THOSE COMPANIES WHICH PRODUCE ARMAMENTS OR ARMS COMPONENTS PRODUCE GOODS PRINCIPALLY FOR THE CIVILIAN SECTOR. PRODUCTION OF ARMAMENTS IS NORMALLY A SIDELINE (WITH THE EXCEPTIONS NOTED ABOVE) UTILIZING LIMITED PLANT CAPACITY. SUCH PRODUCTION DOES NOT REPRESENT THE BASIC STRENGTH OF THE ARMS PRODUCING COMPANIES.

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THE BIG NAMES OF GERMAN INDUSTRY ARE REPRESENTED AMONG THE ARMS PRODUCERS. THESE INCLUDE SUCH FIRMS AS RHEINSTAHL AG, RHEINMETALL GMBH, MESSERSCHMITT-BOELKOW-BLOHM (MBB) GMBH, SIEMENS, MOTOREN UND TURBINEN UNION (MTU), KRAUSS-MAFFEL, VFW FOKKER, DORNIER, AEG-TELEFUNKEN AND DAIMLER-BENZ.

B. RECIPIENTS

GERMAN ARMS HAVE BEEN PRODUCED ALMOST EXCLUSIVELY FOR THE BUNDESWEHR, WITH EXPORTS TO FELLOW NATO ALLIES IN THE INTEREST OF MUTUAL DEFENSE. IN 1971 THE CABINET DECIDED TO RESTRICT RECIPIENTS TO NATO COUNTRIES PLUS FIVE OTHER COUNTRIES. THE EXCEPTIONS INVOLVE SALES TO AUSTRALIA, NEW ZEALAND, SWITZERLAND, SWEDEN AND JAPAN. ALSO, THE FRG HAS SOLD TWO SUBMARINES EACH TO ARGENTINA, ECUADOR, COLUMBIA AND VENEZUELA.

C. CATEGORIES

THERE ARE THREE CATEGORIES OF ARMS SALES AND MILITARY ASSISTANCE, WITH RESPONSIBILITY ASSIGNED TO THE APPROPRIATE MINISTER AS FOLLOWS:

1. GOVERNMENT SALES WHICH TAKE PLACE FROM TO-GOVERNMENT WITHOUT THE INTERVENTION OF PRIVATE FIRMS. THIS INVOLVES MOSTLY BUNDESWEHR SURPLUS MATERIAL FOR WHICH THE MINISTER OF DEFENSE IS RESPONSIBLE.

2. COMMERCIAL SALES INVOLVING NEW AND USED ARMAMENTS MATERIAL FOR WHICH THE ECONOMIC MINISTER IS RESPONSIBLE FOR LICENSING EXPORTS.

3. NATO DEFENSE AID WHICH, AS A GENERAL RULE, INVOLVES EQUAL AMOUNTS OF SURPLUS AND NEW

MATERIAL AND FOR WHICH THE FOREIGN MINISTER IS RESPONSIBLE. AN EXCEPTION TO THIS RULE HAS BEEN FRG AID TO TURKEY WHICH HAS BEEN RUNNING IN RECENT YEARS IN SECRET

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A PROPORTION OF 4 TO 1 NEW VS. SURPLUS.

III. INCENTIVES FOR FRG ARMS TRANSFERS TO THIRD WORLD

A. FOREIGN POLICY INFLUENCE

THE FRG HAS NOT SORTED OUT WHETHER FOREIGN POLICY INFLUENCE IS TO BE WON OR LOST THROUGH THE EXPORT OF ARMS. THOSE OPPOSED TO AN EXPANSION OF EXPORTS HAVE ARGUED THAT, RATHER THAN GAINING INFLUENCE, THE EXPORTING STATE BECOMES A PRISONER OF ARMS SALES INTERESTS, BOTH DOMESTIC AND FOREIGN. ON THE OTHER HAND, SOME FRG DEFENSE OFFICIALS WARN ABOUT POSSIBLE ADVERSE FOREIGN REACTION FOR REFUSING TO SELL ARMS, ARGUING THAT IF OTHER COUNTRIES' DEMAND FOR ARMS IS NOT MET THEY WILL RETALIATE AGAINST THE FRG BY REDUCING OR FOREGOING IMPORTS OF CIVILIAN GOODS AND EQUIPMENT. NEITHER SIDE HAS WON THIS PARTICULAR ARGUMENT YET.

B. BALANCE OF PAYMENTS

THE NEED TO IMPROVE ITS BALANCE OF PAYMENTS POSITION IS NOT A FACTOR FOR THE FRG. THE FRG

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HAS FOR MANY YEARS ENJOYED A FAVORABLE PAYMENTS
POSITION OVERWHELMINGLY BASED ON THE EXPORT OF
CIVILIAN GOODS AND SERVICES.

C. EMPLOYMENT

THE HIGH NUMBER OF UNEMPLOYED IN THE FRG
(CURRENTLY 1,223,400) HAS BEEN ONE OF THE PRINCIPAL
ARGUMENTS ADVANCED IN FAVOR OF EXPANDING ARMS SALES.
HOWEVER, ARMS EXPORTS CANNOT ELIMINATE UNEMPLOYMENT.
IT HAS BEEN ESTIMATED THAT THERE ARE ABOUT 200,000
WORKERS EMPLOYED IN THE PRODUCTION OF ARMAMENTS. EVEN
IF ARMS EXPORTS WERE DOUBLED, THE EFFECT ON THE
UNEMPLOYMENT SITUATION WOULD BE MINIMAL. ALTHOUGH
WORKERS IN THE ARMAMENTS INDUSTRY WOULD HAVE THEIR
JOB SECURITY IMPROVED BY MEANS OF LIBERALIZED EXPORT
OPPORTUNITIES FOR THEIR COMPANIES, THE PRESIDENT OF THE
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METAL WORKERS UNION HAS CLEARLY OPPOSED A CHANGE IN
POLICY. THUS, THE UNION LEADERSHIP HAS OPTED AGAINST
EXPANDED ARMS EXPORTS ON MORAL GROUNDS.

D. RELATION TO NATIONAL DEFENSE EFFORTS

THE RELATION OF CURRENT ARMS TRANSFERS TO
THE NATIONAL DEFENSE EFFORT IS MINIMAL. FOR EXAMPLE,
THE VALUE OF ARMS TRANSFERS REPRESENTS LESS THAN ONE
PERCENT OF THE 1976 DRAFT DEFENSE BUDGET. PROPONENTS
OF EXPANDED ARMS SALES ARGUE THAT LOWER UNIT PRICES
FOR ARMAMENTS SOLD TO THE BUNDESWEHR WOULD RESULT.

THUS, PRESSURE ON THE DEFENSE BUDGET WOULD BE RELIEVED AND THE NATIONAL DEFENSE EFFORT WOULD BE IMPROVED THROUGH LOWER COSTS MADE POSSIBLE BY LONGER PRODUCTION RUNS. THIS IS A VALID ARGUMENT BASED ON THE ECONOMICS OF WEAPONS PRODUCTION, BUT IT IGNORES THE POLITICAL FACTORS COMPLETELY.

IV. CURRENT PUBLIC AND OFFICIAL ATTITUDES

A. OFFICIAL ATTITUDES

FRG DECLARATORY POLICY SUPPORTS EFFORTS FOR WORLDWIDE DISARMAMENT. MOREOVER, THE FRG IS NOT A MAJOR PLAYER IN THE ARMS TRANSFER GAME IN COMPARISON TO THE WESTERN BIG THREE. FRG POLICY FOR THE PAST FIFTEEN YEARS HAS BEEN TO LIMIT THE TRANSFER OF ARMS, AND THE LEGAL RESTRICTIONS WERE LAST TIGHTENED UP IN 1971. HOWEVER, WITH THE ONSET OF THE FRG'S MOST SEVERE RECESSION, GOVERNMENT LEADERS HAVE BEGUN TO CONSIDER A SELECTIVE EXPANSION OF ARMS SALES WITH A VIEW TO AMELIORATING THE EFFECTS OF THE RECESSION. THERE HAVE BEEN NUMEROUS INDICATIONS THAT THE GOVERNMENT WOULD NOW LIKE TO MOVE IN THIS DIRECTION. MOREOVER, THE COALITION PARTNER FDP AS WELL AS THE OPPOSITION CDU/CSU HAVE NO OBJECTIONS TO A LIBERALIZATION OF WEAPONS EXPORTS. HOWEVER, SPD LEADERS THUS FAR HAVE BEEN CONSTRAINED FROM DOING SO FOR DOMESTIC POLITICAL REASONS. THE RESOLUTION AGAINST LIFTING CURRENT RESTRICTIONS PASSED AT THE SPD MEETING IN MANNHEIM LAST
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NOVEMBER HAS EFFECTIVELY BOUND THE HANDS OF THE GOVERNMENT FOR THE TIME BEING. THUS, THE FRG PERCEIVES ITSELF REQUIRED TO MAINTAIN ITS PREVIOUS MORALISTIC POLICY. THIS POLICY WAS LAST RECONFIRMED ON JANUARY 13 BY THE OFFICIAL GOVERNMENT SPOKESMAN. IT IS CONCEIVABLE THE REAFFIRMATION OF POLICY WAS AGREED UPON AT A FEDERAL SECURITY COUNCIL MEETING THE PRECEDING DAY, BUT WE CAN NOT CONFIRM THIS AT THE PRESENT TIME.

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B. POPULAR MORAL ATTITUDES

THERE ARE NO PUBLIC OPINION POLLS AVAILABLE ON THE SPECIFIC QUESTION OF THE DESIRABILITY OF THE FRG EXPANDING ARMS SALES. AS A GENERAL RULE, FRG PUBLIC ATTITUDES ARE NO LONGER AS CONDITIONED BY THE SECOND WORLD WAR AS THEY ONCE WERE. THE FRG POPULATION IS A YOUNG ONE, AND THERE IS MUCH LESS INHIBITION TO DOING THINGS SIMPLY BECAUSE THEY ARE GERMANS. HOWEVER, POLITICALLY INVOLVED YOUNG PEOPLE ARE MOTIVATED BY MORAL CONCERNS AGAINST THE FRG BECOMING A MAJOR ARMS SUPPLIER. THIS SENTIMENT - LARGELY A LEGACY OF VIET NAM AND THE ANTI-WAR MOVEMENT OF THE LATE 1960'S - MANIFESTED ITSELF AT MANNHEIM WITH THE YOUNGER SPD MEMBERS VOTING IN FAVOR OF MAINTAINING THE FRG'S RESTRICTIVE ARMS EXPORT POLICY. ALSO, THE OLDER GENERATION OF GERMANS

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HOLDING POLITICAL POWER IS STILL CONDITIONED BY GERMANY'S PAST AND WOULD BE SENSITIVE TO CHARGES THAT THE SUCCESSORS TO KRUPP ARE ABETTING WAR IN OTHER PARTS

OF THE WORLD THROUGH SALE OF ARMS.

C. MEDIA ATTITUDES

MEDIA ATTITUDES HAVE GENERALLY BEEN DETERMINED BY THE BASIC POLITICAL ORIENTATIONS OF THE MEDIA INVOLVED. THERE HAS BEEN ONLY ONE TV SPECIAL DEVOTED EXCLUSIVELY TO THE ISSUE (FEBRUARY 1975). THE SHOW WAS BASICALLY NEGATIVE IN TONE, BUT IT DID INCLUDE THE ECONOMIC ARGUMENTS FOR EXPANDING ARMS SALES AS PRESENTED BY A CSU DEFENSE EXPERT. PREDICTABLY, A CONSERVATIVE NEWSPAPER SUCH AS "DIE WELT" SEEMED TO FAVOR EXPANSION WHEREAS THE SPD PARTY NEWSPAPER "VORWAERTS" STRONGLY ARGUED AGAINST IT ON MORAL GROUNDS. ALL OF THE EDITORIAL OPINION WE HAVE SEEN WARNED AGAINST ANY POLICY LIBERALIZATION.

V. INTRA-EUROPEAN CONCERNS

A. CO-PRODUCTION AGREEMENTS

FRG POLICY HAS BEEN TO SEEK JOINT ARRANGEMENTS WITH NATO ALLIES BEFORE PROCEEDING UNILATERALLY IN THE DEVELOPMENT OF WEAPONS SYSTEMS. AS A RESULT, THE FRG IS PRESENTLY COOPERATING WITH A NUMBER OF NATO ALLIES ON THE DEVELOPMENT OF VARIOUS TANK, AIRCRAFT, SHIP, ARTILLERY AND MISSILE SYSTEMS. WHERE CO-PRODUCTION AGREEMENTS LEAD TO DIFFICULTY FOR THE FRG IS WHEN THE OTHER CO-PRODUCER WANTS TO EXPORT A WEAPONS SYSTEM TO A NON-NATO COUNTRY. FRG MEDIA HAVE REPORTED THIS PROBLEM IN CONJUNCTION WITH THE ALLEGED FRENCH DESIRE TO SELL THE JOINTLY-PRODUCED ALPHA JET TO EGYPT. THOSE WHO FAVOR FRG AGREEMENT TO SUCH EXPORTS ARGUE THAT BONN WILL BE DEPRIVED OF BOTH ECONOMIC AND POLITICAL BENEFITS, SINCE THE OTHER CO-PRODUCER WILL BE ABLE TO EXPORT THE SYSTEM ANYWAY MERELY BY MANUFACTURING DOMESTICALLY COMPONENTS PREVIOUSLY MADE IN THE FRG.

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B. RIVALRIES IN RECIPIENT AREAS

BY ITS RESTRICTIVE ARMS EXPORT POLICY, THE FRG HAS MANAGED TO AVOID RIVALRIES WITH OTHER ARMS SUPPLIERS IN THE RECIPIENT AREAS. CUSTOMERS HAVE BEEN BEATING ON THE FRG'S DOOR, BUT TO LITTLE AVAIL. SHOULD

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THE FRG EVER LIBERALIZE ITS POLICY, THE GERMANS WOULD
BECOME FORMIDABLE SALES RIVALS IN MANY AREAS BECAUSE
OF THE TECHNICAL EXCELLENCE OF THEIR PRODUCTS.

C. STANDARDIZATION

A BASIC TENET OF FRG POLICY IS TO FAVOR ARMS
STANDARDIZATION WITHIN NATO. THIS IS THE PRINCIPAL
REASON WHY THE FRG ENTERS INTO NUMEROUS CO-PRODUCTION
AGREEMENTS. EXPORT ADVOCATES ARGUE THAT IN ORDER TO
STANDARDIZED BY MEANS OF EUROPEAN JOINT DEVELOP-
MENTS, THE FRG MUST PERMIT EXPORTS. THIS IS THE CASE
BECAUSE ALL OF THE EUROPEAN PARTNERS IN WHOM THE FRG IS
INTERESTED, E.G., FRANCE, UK, ITALY, ARE EXPORTING
WEAPONS.

D. FUTURE EUROPEAN DEFENSE COOPERATION

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FRG POLICY IS THAT EUROPEAN POLITICAL COOPERATION WITHIN THE EEC CAN GRADUALLY PAVE THE WAY FOR A EUROPEAN DEFENSE POLICY. UNDER EXISTING CONDITIONS, HOWEVER, PRACTICAL RESULTS CAN BE ACHIEVED ONLY WITHIN THE FRAMEWORK OF THE EUROGROUP. IT REMAINS TO BE SEEN WHAT ADDITIONAL IMPETUS, IF ANY, WILL DEVELOP OUT OF THE TINDEMAN REPORT AS IT RELATES TO FUTURE DEFENSE COOPERATION.

VI. FRG RECEPTIVITY TO POSSIBLE LIMITATIONS

BECAUSE TOP-LEVEL GOVERNMENT LEADERS APPEAR TO WANT TO LIBERALIZE POLICY, THE GOVERNMENT IS NOW LEANING IN THE OPPOSITE DIRECTION FROM TIGHTENING UP THE INTERNATIONAL RULES OF THE GAME ON CONVENTIONAL ARMS TRANSFERS. NEVERTHELESS, WE CONCLUDE THAT, ON BALANCE, THE FRG WOULD REACT POSITIVELY TO A U.S. INITIATIVE AIMED AT RESTRAINING CONVENTIONAL ARMS TRANSFERS. ACCEPTING SUCH AN INVITATION WOULD ENABLE FRG POLITICIANS TO KEEP THEIR POLITICAL SKIRTS CLEAN. MOREOVER, SHOULD THE FAVORABLE GROWTH TREND IN INDUSTRIAL PRODUCTION CONTINUE, THE ECONOMIC ARGUMENTS FOR A MORE LIBERAL ARMS EXPORT POLICY WILL BE EFFECTIVELY UNDERMINED. SHOULD 1976 BRING AN ECONOMIC UPTURN, THERE WILL BE NO REAL ECONOMIC NEED FOR EXPANDING ARMS EXPORTS.

VII. POSSIBLE FORA FOR DISCUSSION

WE BELIEVE THE FRG WOULD PREFER A LIMITED, SELECTIVE FORUM INVOLVING A SMALL NUMBER OF POWERS -- SUCH AS THE US, UK, AND FRANCE -- TO DISCUSS POSSIBLE LIMITATIONS ON CONVENTIONAL ARMS TRANSFERS. THE FRG WOULD PROBABLY FIND ACCEPTABLE A FORUM MODELED AFTER THE NUCLEAR SUPPLIERS CONFERENCE. SHOULD IT NOT BE POSSIBLE TO ARRANGE FOR SUCH A FORUM BECAUSE OF THE RELUCTANCE OF THE FRENCH TO PARTICIPATE, WE BELIEVE THE FRG WOULD BE RECEPTIVE TO A BILATERAL APPROACH. HOWEVER, IT SHOULD BE BORNE IN MIND THAT THE FRG IS NOT CURRENTLY A MAJOR SOURCE OF CONVENTIONAL ARMS TRANSFERS, AND THAT IT WOULD EXPECT THE US TO DO MORE TO REDUCE ITS

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OWN ARMS TRANSFERS. A THIRD PREFERRED FORUM WOULD BE NATO. OTHER FORA AS MENTIONED IN THE DRAFT OUTLINE

WOULD APPEAR TO BE LESS DESIRABLE TO THE GERMANS.

VIII. TYPES OF POTENTIAL GUIDELINES

AS MENTIONED IN SECTION II. (C) ABOVE, THE
FRG ALREADY OPERATES UNDER A SET OF REGIONAL GUIDELINES.
THESE WOULD PROBABLY BE MOST ACCEPTABLE TO THE FRG OF
THE VARIOUS ALTERNATIVES MENTIONED IN THE OUTLINE, SINCE
THEY WOULD CONFORM MOST CLOSELY TO CURRENT FRG POLICY.
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